

Realty Trust Review

October 14, 1974

Vol. V, No. 19

VALUE GUIDE TO TRUSTS REVIEWED THIS ISSUE

Trust	Port. Yield	-12Mo. Port. Last	Chng.- E.Next	Lever. Ratio	Price	Ann. Yield*	Div. Reinv.	Page
Barnett Mtg.	12.36%	31%	-10%	2.37	\$5.00	0.0%	Yes	5
Cameron-Brown	9.62	17	0	2.96	3.25	0.0	Yes	2
Chase Manhattan	11.37	17	0	3.48	6.88	0.0	No	7
Citizens & Southern	14.86	13	4	2.79	6.00	11.3	No	5
First of Denver	13.81	73	0	3.59	6.75	23.7	Yes	3
First Penn.	11.39	5	5	1.32	4.50	39.1	No	8
Tri-South Mtg.	12.47	40	5	1.86	5.75	13.9	No	4
Wachovia Rlty.	12.20	-2	0	2.10	5.13	0.0	Yes	6
AVERAGES	12.26%	24%	0.5%	2.56		11.0%		

*Based on annualized latest qtr.; where quarterly is omitted, year-end may be paid.

These three measures are selected to aid investors. Averages for the measures are shown so each trust may be compared to the average. Portfolio yield is a general measure of risk to the investor, with highest yield typically the riskiest for mortgage trusts. This connotation does not apply to equity trusts since manner of purchase and lease terms can cause wide variations. Changes in funded portfolio indicate relative dynamism of increases in earning assets, although holdings of equity trusts typically will increase much more slowly than mortgage trusts. Leverage ratio indicates a trust's ability to obtain external non-convertible funds, although recent financings or policy decisions may lower this ratio temporarily. Leverage is the ratio of all non-convertible debt to the trust's capital (equity plus convertibles plus subordinated debt). Ratios above 3.0 are rare and may portend capital financing. NE-No estimate.

Trusts with dividend reinvestment plans for shareholders are indicated above. Further information is available from the trusts themselves. Statistical summaries for each trust reviewed show the trust's operating record for the four latest quarters, including ranges for share prices and dividend yields. Price ranges are those for calendar quarters. Where calendar quarters and a trust's interim do not coincide, prices are shown for the calendar quarter covering two months of the trust interim.

MAJOR SHORT-TERM TRUSTS A MIXED BAG EVEN AS INTEREST RATES EASE FROM THE SUMMIT

The big plus for the construction lending REITs is that short-term interest rates now appear to be easing slowly but decisively from the summit of last summer. The prime rate is down $\frac{1}{4}\%$ to 11.75% and commercial paper rates have dropped from a peak 12.25% to 10.5% recently. An $11\frac{1}{2}\%$ or $11\frac{3}{4}\%$ prime rate is in sight, although further decline will depend heavily upon progress in controlling inflation.

You should not overlook two other plusses: 1) Materials prices and shortages appear to be coming under control; lumber and plywood prices are down sharply from last spring and many other commodity materials are finally showing the impact of lower housing starts. This should have positive impact in limiting the cost overruns which have been the bugaboo of many construction-lending trusts. 2) The low supply of new apartments coming on stream is bolstering rent levels and occupancies in many cities. Only exceptions are most Florida cities and Denver. Apartments are benefitting from sagging consumer confidence, inflation-squeezed household budgets, and an absolute dearth of mortgage money to buy new houses and condominiums. Condos are especially soft in most areas, and office buildings are soft most everywhere. Since over half of REIT construction loans are apartments, the trusts are obvious beneficiaries of this

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SIX KEY RATIOS

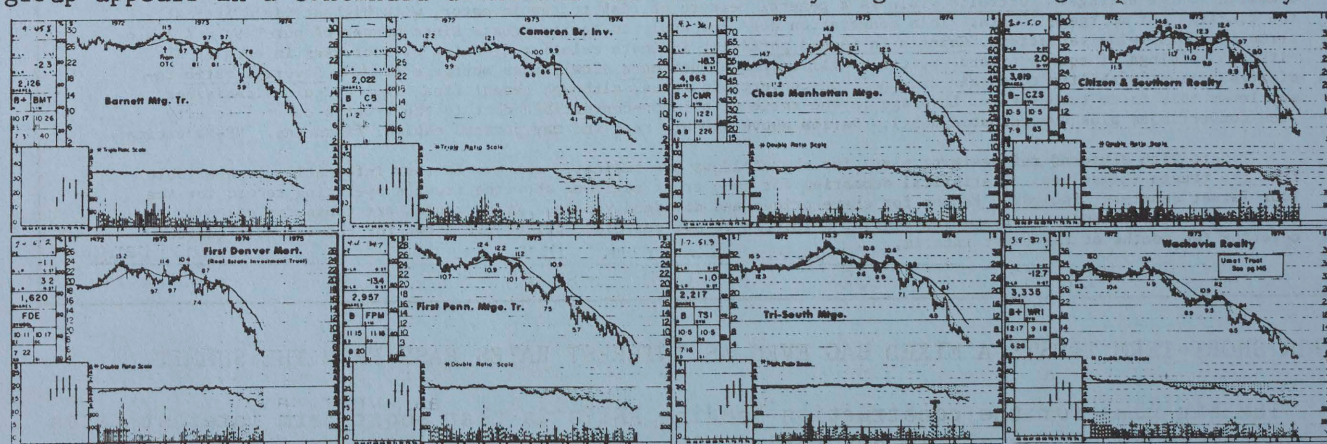
	Loss Res.*	-Portfolio-- %Land %Condo	Exp. Ratio#	-Floating Port.	Rate- Funds
Barnett Mtg.	0.57%	25% 45%	0.87%	NA%	70%
Cameron-Brown	5.13	26 NA	0.89	NA	75
Chase Manhattan	1.89	15 19	0.69	50	72
Citizens & Southern	0.60	16 28	1.38	75	74
First of Denver	0.76	17 30	1.24	72	78
First Penn.	2.50	6 35	1.42	60	57
Tri-South Mtg.	0.62	30 15	1.10	55	65
Wachovia Rlty.	1.03	21 9	1.49	71	68
AVERAGES	1.64%	20% 26%	1.14%	64%	70%

*Based on mtg. investments. #Based on avg. gross portfolio.

tightening market. Heavy condo and land development loans, listed on p. 2, are a drag on some trusts. We wish we could translate this into a strong buy signal for construction-lending REITs. We cannot. Too many unknowns remain. Non-earning loans have risen to 16% of portfolio and 66% of shareholder

equity for the short-term trusts. This commits two-thirds of book value to support non-earning assets whose resolution may take some time even given the favorable factors noted above, and whose liquidity must be questioned for now. The tough line being taken by commercial banks (no new commitments, nothing but annual dividends for many trusts) could waver if money eases; we still doubt most commercial bankers realize the tremendous mischief their tough line is working.

A technical note: the charts below cover this issue's share action. This speculative group appears in a continued downtrend and will likely lag the whole group's recovery.



Charts courtesy Mansfield

CAMERON-BROWN INVESTMENT GROUP (3-1/8--NYSE-CB) FY Dec. 31

Quar.	Port.	Port.Yld.	Non-Earn.Inv.	EPS Prim.	Div.	-Price range-	-Yld.range-
9/73	\$152.2M	13.52%	9.4%	\$0.43	\$0.43	\$29.25-24.88	6.9-5.9%
12/73	151.0	12.95	18.3	0.00	0.00	28.75-10.75	0.0-0.0
3/74	156.5	12.11	19.2	0.65	0.42	14.75- 7.75	21.7-11.4
6/74	163.7	9.62	29.1	0.05	0.00	9.63- 5.00	0.0-0.0

Portfolio dynamics : In the past year the portfolio increased 17%, mostly from a gain in permanent loans. Under the terms of a new loan agreement the trust is not making new commitments. Present commitments total about \$37.3 million but management says not all will be funded. There will be no growth in fundings the next 6-12 months. At June 30, the portfolio was 49% const., 26% land and land devel., 10% permanent, 5% each junior and property sold under installment sales contracts, 4% real estate acquired through foreclosure and 1% equities. Investments are located in 15 states and Wash., D.C. with almost 25% in Florida. Non-earning investments (non-accruing loans plus foreclosures) have continued to rise (see table above) over the past year, reaching \$61 million at Aug. 31, equal to 39% of portfolio and 136% of shareholders' equity. At this level none of shareholders' equity is earning. Management follows a policy of not discussing status or location of specific problem properties with analysts or in shareholder reports, hence

the causes and outlook for problem investments are unclear. SEC filings indicate \$47.6 million non-earning investments at June 30, including \$40.4 million non-accruing loans and \$7.2 million foreclosures. Of the total 53% are apartment construction loans, 26% land loans, 8% office building constr., and 6% condominium constr. loans. At Dec. 31, 1973 when the prime was 9 3/4%, some \$123.6 million or 82% of the portfolio was tied to market rates. A number of loans have hit ceilings during past months but the amount or percentage of loans presently floating is not discussed by management.

Financing: The trust is funded 25% by capital and 75% by non-convertible debt. Capital of \$43.9M is all equity with 2.02M shares. Debt of \$129.8M is 68% short-term bank loans, 27% term loan and 5% other short-term. The trust recently concluded an \$88.1 million credit agreement with 30 commercial banks led by Manufacturers Hanover Trust which replaces lines of credit with these banks. The new agreement, extending till Aug. 15, 1975, calls for interest at 1/2% above the prime plus compensating balances of 10% of the credit and 10% of funds borrowed. The agreement does not let the trust issue new commitments until its leverage ratio is 2-1, from 2.96-1 now. The trust has until Mar. 31, 1975 to meet this. Trust must also reduce delinquencies and foreclosures to what 75% of participating banks feel is a satisfactory level. Lastly, the trust cannot declare any further dividend until after the fourth (Dec. 31) quarter and then only if earned. The trust's term loan agreement of \$39.1 million has been changed to conform with the \$88.1 million credit agreement except that the interest rate of 125% of the prime rate will remain unchanged. Sponsor: Mortgage banking subsidiary of Cameron Financial, bank holding co. Results & outlook: Management recently stated that if non-earning assets cannot be reduced and if interest rates remain at their lofty levels, trust will suffer losses in its third and fourth quarter. These losses might offset the \$0.70 per share earned through June. Dividend payments are restricted until after the fourth quarter, under the loan agreements. The restrictive loan agreements plus the continued rise in non-earning investments make it unlikely that share prices will recover significantly even if interest rates fall. (VCK)

FIRST OF DENVER MORTGAGE INVESTORS (6-3/8--ASE-FDE) FY Sept. 30

Quar.	Port.	Port.Yld.	Non-earn.inv.	EPS Prim.	Div.	-Price range-	-Yld. range-
9/73	\$92.8M	13.76%	0.0%	\$0.69	\$0.68	\$23.75-19.75	13.8-11.5%
12/73	111.9	15.33	0.4	0.72	0.72	24.00-17.00	16.9-12.0
3/74	123.2	13.65	1.5	0.68	0.67	21.88-18.00	14.9-12.3
6/74	126.9	13.81	6.9	0.43	0.40	19.63-11.00	14.6- 8.2

Portfolio dynamics: Fundings increased by 73% in the past year, and will reach \$137 million by November and decline after that. The decline is needed to reduce its leverage ratio to the 2.5-1 area (presently 3.59-1). No new commitments are being made and commitments at June 30 were \$45.5 million. The portfolio at June 30 was 69% constr., 14% land development, 6% intermediate, 3% each land loans, junior and wrap-around and 2% equity-land. Thus about 17% of the portfolio is in the higher-risk land and land development area. Construction loan breakdown by project type was 30% condominium-townhouses, 17% apartments, 13% motor hotels, 10% each office buildings and mobile home parks, 9% single family developments, 8% other and 3% shopping centers. The sensitive areas are the 30% in condominiums and the 13% in motor hotels. Of all short-term mtg., 42% have third party takeouts and another 9% have takeouts from the trust leaving 49% with no takeouts. Trust investments are located in 17 states with 69% in Colorado. About 10% of loans reached ceilings so that only 73% are floating. Thus 72% of the entire portfolio floats. On June 30 the trust had 5 non-earning loans for \$8.8 million, or 6.9% of the portfolio and 28% of shareholders' equity, both below average. The largest problem loan is a \$3.3 million construction loan on a mobile home park in Colorado. As of Sept. 30, the trust took title to the property, about 80% complete. Others include a \$1.8 million land develop/constr. loan on a single family project, 80% complete, in Colorado; a \$1.5 million constr. loan on apartments in Colorado which are about 85% completed; a \$1.2 million constr. loan on condominiums in Colorado about 80% completed; and a \$1.0 million intermediate loan on a completed retail store in New Mexico. Another loan for \$5.5 million on a condominium project in the Vail, Colorado ski area is delinquent and the status of this loan and

possible other problem areas will be resolved by trustees in mid-October.

Financing: The trust is funded 22% by capital and 78% by non-convertible debt. Capital of \$30.2M is all equity with 1.62M shares. Debt of \$108.3M is 79% bank loans, 17% commercial paper and 4% secured participation/subordinated indemnity loan. Commercial paper is only being sold locally since Moody's withdrew its Prime-3 rating in May. Commercial paper now amounts to about \$7 million. The trust is presently negotiating a \$107 million revolving credit agreement with its 25 line banks and hopes to conclude the agreement by Nov. 1. Also included in the agreement would be a \$6 million separate facility. Possible terms of the agreement would be a reduction of the leverage ratio to 2.5-1 and a restriction of the dividend to annual payments unless the trust can justify quarterly distributions. The trust has also asked the IRS for a ruling to extend its warrants for at least two years. **Sponsor:** First Nat'l Bancorp., holding co. for largest Colorado bank. **Results & outlook:** An addition of \$327,000 (\$0.20 per share) to the loss reserve in the June qtr. plus higher interest costs hurt June qtr. results. Significantly higher non-earning assets also hurt. Year-end results look uncertain as these conditions continued into the Sept. qtr. Future dividend payments appear questionable until terms of the new revolving credit agreement are fixed. Shares have below average appeal since recovery in earnings and dividends appears unlikely for a while. (VCK)

TRI-SOUTH MORTGAGE INVESTORS (5 1/4--NYSE-TSI) FY Dec. 31

Quar.	Port.	Port.Yld.	Non-earn.Inv.	EPS Prim.	Div.	-Price range-	-Yld. range-
9/73	\$189.8M	13.30%	1.0%	\$0.78	\$0.76	\$32.50-26.50	11.5-9.4%
12/73	207.1	13.96	1.0	0.84	0.78	32.13-21.50	14.5-9.7
3/74	216.9	12.82	5.3	0.81	0.79	27.25-20.75	15.2-11.6
6/74	232.3	12.47	13.7	0.50	0.20	22.25-10.00	8.0-3.6

Portfolio dynamics: The trust which had a 40% gain in fundings in the past year, is expected to have modest fundings growth in the next two quarters. Although no new commitments are being made other than some standby commitments, there are \$87 million of existing commitments to fund and \$62 million in standby and gaps. At June 30, the portfolio was 44% constr., 25% land devel., 14% intermediate, 6% long-term, 5% land acq., 3% junior, 2% equity investments and 1% property acquired through foreclosure. Three properties have been acquired through foreclosure: a housing project in Spartanburg, N.C. which the trust plans to sell upon completion in Feb., 1975; land in Texas on which 18 units of condominiums have been started; and land in Atlanta. The equity investment is the 707-unit Forest Isles Apartment project in New Orleans, La., completed and presently running at breakeven. The trust estimated that it should be profitable by year end. (This property is not included in problem investments.) The 30% of the portfolio which is in land devel. and land acq. loans may be considered the riskiest portion of this portfolio. About 25% of short-term investments are covered by takeouts. Construction commitments by project type at June 30 were 33% condominiums, 30% apartments, 12% office buildings, 10% shopping centers, 9% hotels and motels, 4% industrial and 2% nursing homes and other. Investments are located in 20 states and Wash. D.C. with concentrations in Ga., Fla., Tex. and Va. As of June 30, 74% of short-term commitments were floating with market rates but some loans have become non-earning or have hit ceilings, so the percentage of truly floating loans is estimated at 50-60%. At June 30, some \$31.8 million of loans were non-earning, including the \$1.3 million of foreclosed properties. Non-accruing loans total 18 properties, the biggest being a \$5.8 million loan on two condominium projects in Fla. The trust has already transferred these two projects from the original borrower who had financial difficulty to two new borrowers. The projects, however, are not yet in earning status. The next largest is a \$5.0 million land devel. loan on a primary/secondary home community north of Dallas, Tex., where sales activity has been slow.

Financing: Trust is funded 35% by capital and 65% by non-convertible debt. Capital of \$83.8M is 55% in equity with 2.26M shares, 30% in 7-3/4% senior subor. debent. and 15% in 7% convt. senior subor. debent. Debt of \$156.3M is 46% in short-term bank loans, 19% each in Eurodollar loan and bank term loan and 16% in commercial paper, which is still being sold through A.G. Becker with a Prime-1(LOC) rating from Moody's. Trust also has

\$109.5M in bank lines (this includes the \$30M Eurodollar line) with some 32 banks. Trust is in preliminary discussions with its banks concerning a possible revolving credit agreement. Sponsor: First & Merchants Nat'l. Bank of Richmond; First Nat'l. Bank of Atlanta; North Carolina Nat'l. Bank. Results & outlook: The significant increase in interest expense as well as non-earning investments caused the 38% drop in earnings in the June qtr. These conditions persisted in the Sept. qtr. so earnings recovery seems remote. Shares presently have below average market appeal. (VCK)

CITIZENS & SOUTHERN REALTY INVESTORS (6 1/8--NYSE-CZS) FY Sept. 30								
Quar.	Port.	Port.Yld.	Non-earn.Inv.	EPS Prim.	Div.	-Price range-	-Yld.range-	
12/73	\$388.6M	13.92%	1.3%	\$0.87	\$0.86	\$38.38-26.50	13.0-9.0%	
3/74	400.0	13.55	1.5	0.87	0.87	31.75-22.25	15.6-11.0	
6/74	421.7	14.86	4.9	0.70	0.70	25.13- 9.50	29.4-11.1	
9/74	E433.0	NA	16.0	NR	0.17	13.88- 5.25	13.0- 4.9	

Portfolio dynamics: Fundings advanced 13% the past year, reflecting trust decision late in 1973 to hold down new commitments. Commitments totaled \$335 million at June 30 and projections indicate fundings will peak in the spring of 1975 at the present pace at about \$460-\$470 million. June holdings were 60% first mtg. constr. loans (incl. 28% condominium constr.), 16% land acquisition & development loans, 6% standing loans, 6% second mortgages, 3% wrap-arounds, 2.3% equity investments, and 0.8% foreclosed properties. Thus about 44% are in the now-vulnerable condominium and land loan area. Concentrations are in Georgia (41%) Florida (25%) and Texas (11%). Third-party takeouts are not sought for their own sake, management regarding takeouts as crutches for weakly underwritten loans. Non-earning investments have been well-controlled until the Sept. qtr., when \$69 million or 16.0% of loans (now the short-term trust average), were placed on non-accrual. Management ceases accrual when the loan-to-value ratio exceeds certain percentages of estimated value, regardless of the loan's current payment status or maturity date. CZS's practice thus differs sharply from most other trusts which rely upon days of delinquency and as practiced by CZS appears more conservative than other trusts. The recent action, taken to recognize increases in the capitalization rate, also commits about 87% of shareholders' equity to non-earning assets. There are 30 separate non-earning loans, with 30% in condos, 18% each in apartments and land, 20% in shopping centers, 7% in office buildings and 6% in motels. About 30% are in Texas, 28% in Georgia and 25% in Florida.

Financing: Total funds of \$455.3M are 26% capital and 74% non-convertible debt. Capital of \$120M is 63% shareholders' equity (with 3.83M shares), and 37% convertible and subordinate debt. Debt of \$335.3M at June 30 was 71% short-term bank loans, 17% commercial paper (now down considerably) and 12% in a revolving credit for seven years (but renewable every 90 days). Bank lines total \$302M including a \$60M Eurodollar credit (all in use). Trust is negotiating with its banks to bring total funds available to \$400M and is hopeful of obtaining funds on favorable terms. Sponsor: Citizens & Southern Nat. Bank, leading Atlanta real estate bank. Results & outlook: Trust will add \$4M-\$6M to its loan loss reserve (now \$2.5M) at end of Sept. FY. Since some of the loss allocation is not expected to be deductible for tax purposes, trust declared 17-cent payout from taxable income; further small payouts of this taxable income are expected in the next two-three quarters in addition to operating income. Portfolio contains some high-risk segments but management has long construction lending record. New commitments should be deferred till bank negotiations are concluded but shares have intermediate-term recovery potential as interest rates recede. (KDC)

BARNETT MORTGAGE TRUST (4-3/4--NYSE-BMT) FY March 31								
Quar.	Port.	Port.Yld.	Non-earn.Inv.	EPS Prim.	Div.	-Price range-	-Yld.range-	
9/73	\$212.3M	13.39%	0.0%	\$0.75	\$0.70	\$27.75-23.00	12.2-10.1%	
12/73	246.1	13.97	5.9	0.76	0.71	27.75-17.38	16.3-10.2	
3/74	272.8	12.85	7.6	0.76	0.71	22.75-17.00	16.7-12.5	
6/74	277.5	12.36	14.5	0.43	0.18	17.63-11.00	6.5-4.1	

Portfolio dynamics: The portfolio increased 31% over the last year to June. It grew another 6% to about \$293 million last month and will peak in the December quarter a bit under \$300 million. New commitments were not made since January and unfunded commitments are now under \$100 million. Total fundings will therefore decline over the next 12 months, the extent depending on interest rates. A big rate drop would allow for optimum portfolio reduction, perhaps \$80 million. Early cessation of new commitments places the trust in position to run down its portfolio earlier than most others. By loan type, the breakdown was 71% construction, 25% land and land development, and 4% other. By property type the contribution to the total within these categories was construction: 13% commercial, 45% condominiums and 12% apartments while land was 8% condos, 6% apartments and subdivisions, and 12% other. Geographic concentration was in the southeast, 72%, and the biggest states were 55% Florida, 13% Texas, 6% Georgia. Thus significant portions of the portfolio are in difficult or speculative markets featuring land development, condos and the Florida market. As of June 30, \$40.2 million was in non-earning status, 11 loans for \$22.4M which were not accruing and 13 loans for \$17.8M which were in foreclosure. The 13 foreclosures broke down: 5% in 1 apt., 14% in 3 condos, 28% in 3 shopping centers, 33% in 4 single family projects, 6% in a office bldg. and 14% in a land project. A disproportionate number of the problem loans were in Texas and Georgia. Foreclosure activity increased significantly in the Sept. quarter. The nature of problem loans will shortly be detailed further. About a third of the portfolio has third party takeouts but as some projects were delayed, their takeouts expired and higher rates are required for renewal. Originally over 90% of the portfolio floated with prime but this is now meaningless and difficult to recalculate. In addition to substantial non-earning loans, many have reached state usury levels, 15% in Florida.

Financing: The trust is funded 30% capital and 70% non-convertible debt. Capital of \$89.5M consists of 47% equity, 2.17M shares, and 53% convertible debt. Debt of \$211.7M is 11% commercial paper, 70% bank loans and 19% bank term loan. Some 70% of funds float with market rates. The trust is negotiating a revolving credit line with its banks to cover the \$171M paper and bank lines plus additional cash flow requirements. **Sponsor:** The Barnett Banks of Florida. **Results and outlook:** The trust reports it will sustain a loss for the six months ended Sept. 30 and unless conditions, particularly interest rates, change, a significant loss for the year ending March 1975 will be incurred. No further dividends will be paid until year end. The trust must begin clearing up its problems before becoming attractive for recovery. Not least of which is the Florixa condo overhang which in turn is dependent on consumer mortgage financing. The 8½% convertible debentures are an interesting speculation on the trust's future. Selling at deep discount (40-NYSE) to yield about 20%, the debentures will be convertible in Sept. 1978 at 80% of market or redeemed at 125% of par. (BS)

WACHOVIA REALTY INVESTMENTS (4½--NYSE-WRI) FY Aug. 31							
Quar.	Port.	Port.Yld.	Non-earn.Inv.	EPS Prim.	Div.	-Price range-	-Yld.range-
11/73	\$172.5M	13.62%	1.2%	\$0.60	\$0.60	\$25.88-15.38	15.6-9.3%
2/74	172.5	12.53	10.4	0.53	0.50	20.00-15.63	12.8-10.0
5/74	176.2	12.20	17.8	0.38	0.40	16.25- 9.75	16.4- 9.9
8/74	174.7	NA	17.7	-0.04	NR	10.00- 4.75	- -

Portfolio dynamics: Fundings decreased 2% in the past year with growth coming mainly in short-term investments. Management expects minor growth in the next few months and then a gradual decline for the remainder of fiscal 1975. Present unfunded commitments amount to \$55M and the trust is not making new commitments. The portfolio at May 31, was 73% constr., 21% land and land devel., 4% mtg. other than first mtg., 1% other first mtg. and 1% equity investments and foreclosed property. By project type, the portfolio was 26% apartments, 21% land and land devel., 15% hotels and motels, 13% shopping centers, 9% condominiums, 8% each office buildings and misc. The 21% of investments in land and land devel. appear the shakiest area of the portfolio while exposure to the weak condominium market is not great. Investments while located in 24 states are concentrated in the Southeast. As of May 31, some 71% of investments were floating with market rates. At Aug. 31 trust was not accruing interest on 15 loans for \$31 million or 17.7% of the Aug. portfolio. Two loans for \$9.3 million are for an apartment complex and shopping center in Farmington,

Conn. The apartment complex is 65% complete and the shopping center is almost complete. Negotiations between the borrower and a financial institution are in process. Two loans on two motels for \$2 million are in foreclosure proceedings: One motel located in Boone, N.C. is about 65% complete, the other in Greenville, N.C. is complete and is now sold subject to court approval. A \$9 million condominium loan for a project in Dayton, Ohio is awaiting certain sales levels before interest accrual will be resumed. The other 10 non-earning loans for \$10.7M include shopping centers in Greensboro, N.C. and Oklahoma, an apartment project in N.Y., two office buildings in Fla. and a mobile home park in N.C.

Financing: Trust is funded 32% by capital and 68% by non-convertible debt. Capital of \$62.5M is all equity with 3.34M shares. Debt of \$131.4M is 63% in short-term bank loans, 23% in a term loan and 14% in commercial paper. Of total funds, 68% float with market rates. The trust has sold very little commercial paper of late and presently about \$4M is outstanding, down from \$18M at May 31. The paper is not rated and is sold by financial institutions. Trust's bank lines amount to \$112.5M with 15 banks. No new credit agreement is anticipated. Sponsor: Wachovia Corp., one-bank holding co. located in Winston-Salem, N.C. Results & outlook: The Aug. qtr. results were off drastically due to a special loan loss provision of \$2.9 million (\$0.87 per share). A dividend will not be declared until the final audit is complete. Management expects to resume dividend payments in the November quarter. However, problem loans and high interest costs, despite the favorable spread between funds borrowed and funds loaned, make the dividend amount questionable. For the near term shares have below average appeal. (VCK)

CHASE MANHATTAN MORTGAGE AND REALTY TRUST (7 5/8--NYSE-CMR) FY May 31							
Quar.	Port.	Port.Yld.	Non-earn.Inv.	EPS Prim.	Div.	-Price range-	-Yld.range-
11/73	\$833.3M	12.59%	1.0%	\$1.20	\$1.15	\$59.13-39.50	12.3-8.2%
2/74	877.2	12.02	2.0	1.20	1.15	42.50-32.25	8.9-6.7
5/74	896.0	11.37	6.6	0.00	0.90	33.88-17.25	20.9-10.6
8/74	928.0	NA	8.2	0.05	0.00	19.25-5.50	0.0-0.0

Portfolio dynamics: In the last year, fundings increased 17%. Management expects the portfolio to peak in Nov. at \$950-955M and then start to taper off so that by fiscal year end, May 31, it will be about \$925M. Trust is not making new commitments and present commitments are \$550M. The portfolio at May 31 was 45% constr., 28% term loans, 15% land and land development, 4% each second mtg. and leaseback & equity investments, 4% other. The Aug. breakdown is about the same. The portfolio by project type at May was 21% office buildings, 20% other residential, 19% condominiums, 15% shopping centers, 10% each hotels/motels and misc. and 5% nursing homes/hospitals. Under present conditions, the 15% in land and land development loans and 19% in condominiums represent the riskier portions of investments. Investments are in 29 states, Wash. D.C. and P.R. with 23% in Fla. and 22% in N.Y. About 28.6% of construction loans have third party takeouts while 12.9% have trust takeouts. Although at May 31, some 57% of the portfolio was tied to prime the present high rates have caused between 5-10% to stop floating. At Aug. 31, trust had stopped accruing interest on 22 loans for \$68M. Trust also had foreclosed property of \$8.5M on which it was not accruing interest. Of the 22 loans in non-accrual, 7 are in foreclosure. The foreclosed property is a 274 unit apartment complex in Kansas City, Kan., fully completed and about 93% rented. Trust is receiving a small return but has not started accruing interest. A breakdown of the non-accruing loans by number, type and value is 10 condominium for \$43M, 4 land for \$10M, 2 apartments for \$5M, 2 shopping centers for \$2M, 1 hotel for \$2M, 1 office building for \$2M, 1 land devel. for \$2M and 1 subor. debent. for \$2M. Florida contains 50% of problem investments. Non-accruing loans and the foreclosed property represent about 62% of equity, slightly below the average for short-term mtg. trusts.

Financing: Trust is funded 22% by capital and 78% by non-convertible debt. Capital of \$208.5M is 59% in equity with 4.89M shares 29% in 7½% subordinated notes and 12%

in two (6½ & 6-3/4%) convertible subordinated debentures. Debt of \$725.1M is 43% in commercial paper, 31% in short-term bank loans, 14% in revolving credit notes, 7% in 7-7/8% notes and 5% in master notes. About 72% of total funds float with market rates. Trust recently announced it would be out of the commercial paper market by Oct. 31. Its paper is sold directly and has a P-1 rating from Moody's. Present bank lines are \$481M with about 41 banks. Trust is presently negotiating a revolving credit agreement for \$700M which will replace these lines and the commercial paper. Terms are not yet firm. Sponsor: Chase Manhattan Bank, second largest U.S. bank. Results & outlook: May results were hard hit by a large addition to the loss reserve in that quarter of \$14.4M or about \$2.95 per share. Although preliminary results for Aug. are in, the reasons for the decline in earnings can be surmised. High interest rates and the increased non-accruing loans mainly caused the decline. Trust also announced it would not pay dividends until next May. All these negative factors work against any substantial price recovery for the shares which presently have below average appeal. (VCK)

FIRST PENNSYLVANIA MORTGAGE TRUST (4 1/2--NYSE-FPM) FY July 31

Quar.	Port.	Port.Yld.	Non-earn.Inv.	EPS Prim.	Div.	-Price range-	-Yld.range-
7/73	\$143.2M	11.50%	1.4%	\$0.52	\$0.52	\$25.00-18.50	11.2 - 8.3%
10/73	145.3	11.90	1.4	0.49	0.48	22.00-16.25	11.8 - 8.7
1/74	142.5	12.15	9.5	0.51	0.51	23.50-12.00	17.0 - 8.7
4/74	149.6	11.39	8.6	0.55	0.52	16.00-11.50	18.1 -13.0

July qtr. loss was \$0.28/sh. after \$0.95 loss res. prov., div. was \$0.44.

Portfolio dynamics: The portfolio increased 4% in the year to April and another 3% in the July quarter. Fundings should climb about 13% more by the middle of the Jan. (second) quarter and then peak out. Portfolio make up by loan type was 50% construction, 17% development, 23% interim, 6% land and 4% junior. By property type, the mix was 16% commercial & industrial, 13% shopping centers, 2% nursing homes, 11% apartments, 16% single families, 35% condos, 5% motels and 3% mobile home parks. Geographic distribution covered 26 states with the largest holdings in Florida- 24%, Massachusetts- 12%, and New York and Michigan- 8% each. The trust has fairly significant holdings in today's more troubled product, 40% in condos and hotels and also a fair percentage in development. Takeouts cover only about 10 of the 60 loans because so much of the portfolio is for residential sale- single family and condos. Of the 80% of loans originally floating, some are now up to usury limits leaving perhaps 60% effectively floating. Problem loans nearly doubled in the July quarter to \$24.76 million, about two-thirds non-accruing and one-third in foreclosure. The makeup of problems is similar to the overall portfolio in property type and location. Of the 15 problem properties, 4 are complete, 3 are land loans, 1 is 99% complete and the other 7 are in various stages. Problems increased further in the Oct. quarter. Non-earning investments were 41% of equity, below average for short-term trusts.

Financing: Trust is funded 43% capital and 57% non-convertible debt. Capital of \$67.4M is 89% equity with 2.96M shares and 11% convertible debentures. Debt of \$89.4M in April was 57% commercial paper, 35% bank loans and 8% notes coming due. Thus, 57% of funds float. This \$89M will be refinanced, at least in part. Commercial paper has been running off. A revolving credit with its banks is being considered. Sponsor: First Pennsylvania Corp., holding company for 19th largest bank. Results & outlook: Growing problem loans and continued high rates, compounded by need to refinance some matured low-cost debt, will pressure margins for the next two quarters. Low leverage ratio, however, will work to advantage during current high money costs. Internally, steps are being taken to upgrade the quantity and quality of the lending staff. While the shares are currently about average in near-term appeal, they have inherent high recovery potential longer term. (BS)